

THE WEATHER — PARIS: Monday, overcast, possible rain. Temp. 40° (42°) to 50° (52°). Wind: N.E. 10-15 mph. Wind gusts: 20-25 mph. CHAMBERY: High pressure system here. Monday, sunny, cool, cloudy later. Temp. 7° (10°) to 14° (16°). FRANKFURT: Monday, sunny, partly cloudy later. Temp. 5° (7°) to 17° (21°). NEW YORK: Monday, sunny, partly cloudy. Temp. 2° (4°) to 12° (14°). TEL AVIV: Monday, overcast, possible rain. Temp. 18° (20°) to 28° (30°). WINDHOEK: High pressure system here. Monday, sunny, cool, cloudy later. Temp. 18° (20°) to 28° (30°).

ADDITIONAL WEATHER DATA — PAGE 12

No. 30,795

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

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PARIS, MONDAY, FEBRUARY 22, 1982

Established 1887

## Belgians, Danes Urge EEC To Approve a Devaluation

From Agency Dispatches.

BRUSSELS — Belgium and Denmark sought devaluations Sunday for their currencies of 12 and 7 percent respectively, but diplomatic sources said that both gov-

ernments met stiff resistance from their European Economic Community partners at an unscheduled meeting of EEC finance ministers here.

The sources said that Belgium's

request for a 12-percent devaluation of the Belgian franc — described as an opening bid — ran into opposition from almost all nine EEC partners.

The sources said that Belgium rejected an 8-percent compromise proposal. They said that West Germany told Belgium it should either accept the 8 percent or opt to suspend its participation in the European Monetary System and let the Belgian franc "float."

The other EEC countries proposed to allow Denmark to devalue its crown by 3 percent if Belgian devalued by 8 percent, the sources said.

Luxembourg, which had hinted that it might sever its currency link with the Belgian franc, would be ready to follow the Belgian franc down if its devaluation were limited to 8 percent, the sources said.

While Belgian Finance Minister Willy de Clercq was requesting a devaluation of the franc at the EEC meeting, the country's premier, Wilfried Martens, announced a package of measures aimed at reviving the economy and boosting employment.

The package introduced restrictions on index linking of wages aimed at achieving a 3-percent limit on pay increases and froze prices at their Feb. 15 level until May 31. Savings generated from the wage curb will be used to reduce interest rates on export credits.

Corporate taxes and electricity and gas prices for industry are to be lowered. The government will also grant tax cuts on earnings invested in industrial shares and reduce interest rates for credits to industry, the premier said.

Mr. Martens also said devaluation was imperative for reviving the economy.

Meanwhile, sources in Copenhagen said that Denmark's attempts to have the krone devalued ran into such strong resistance that the plan may have to be dropped.

Denmark said it wanted a 7-percent devaluation if Belgium were allowed to devalue the franc by 10 to 12 percent although it would have preferred to wait for a change of parity until May or June.

According to the sources, a Danish Cabinet meeting was informed from Brussels that none of the other EEC members saw any justification for a major Danish devaluation, and that both West

(Continued on Page 2, Col. 7)

Sir Geoffrey Howe, Britain's chancellor of the Exchequer, attempted to attract the attention of West German Bundesbank President Karl Otto Pöhl during Sunday's EEC meeting on Belgium's and Denmark's requests for currency devaluations.

## Syrian Tanks Reported To Be Leveling Hama

By John Kifner

New York Times Service

DAMASCUS — Syrian tanks are methodically leveling vast areas of Hama, the nation's fifth largest city, as they continue to battle rebels led by Moslem fundamentalists, according to residents who have escaped from the besieged city.

Thousands of people — no one can accurately estimate how many — are believed by diplomats here to have been killed or wounded in the fighting that has now stretched on for nearly three weeks.

Tanks, backed by artillery and as many as 12,000 troops, Ba'ath Party militiamen and plainclothes intelligence officers, have reduced much of the ancient quarters of the city to rubble, according to accounts dribbling out to diplomats and Western journalists here.

One young man smuggled out of the city Tuesday said the stench of rotting corpses hangs over the city, with bodies burned under collapsed buildings and the dead and wounded lying unattended in the streets because of the heavy fighting.

The unit was surrounded and wiped out as it attacked the hideout, according to the accounts. A Western diplomat said he monitored a military radio broadcast reporting 300 deaths among the soldiers.

With a call to rebellion from the minarets of the mosques, the fighting spread. Residents attacked government and Ba'ath Party buildings and killed party members and security officers. The government sent in more troops, including units commanded by Rifaat Assad. The fighting has continued ever since.

## Haig's Leaked Comments: A Grim View of Mideast, Allies and Russia

By Bob Woodward

Washington Post Service

WASHINGTON — It is 8:30 on the morning of Jan. 18, Secretary of State Alexander M. Haig Jr., at the head of the table in his seventh-floor State Department conference room, is speaking. This is his regular senior staff meeting, and he is reviewing a four-day trip he just completed in the Middle East. The picture he paints of U.S. prospects in that region is grim.

Despite his public optimism over the continuation of the Camp David peace process after Israel's scheduled April return of the Sinai to Egypt, Mr. Haig has come back convinced that once the Sinai transfer takes place the delicate web that ties Israel and Egypt together will unravel quickly, and Washington will be the loser.

"Egypt will go back in to [the] Arab world with [the] U.S. isolated as Israel's sole defender," Mr. Haig says, according to notes taken by one participant at the meeting.

That is a much grimmer assessment of U.S. prospects in the Middle East than Mr. Haig has ever given publicly or even as the anonymous senior official traveling on his airplane.

Noting that his efforts in travels throughout the region should not be misinterpreted as a repeat of Secretary of State Henry A. Kissinger's shuttle diplomacy of the early 1970s, Mr. Haig says, "I didn't go over to pull a rabbit out of the hat à la Kissinger ... This secretary of state is not putting on Kissinger's fedora."

Notes taken by one of the per-

sons present at nearly two dozen regular senior staff meetings over the last year have been obtained by The Washington Post and verified, as to general content, with two other participants.

### Incomplete Picture

There are dozens of meetings, perhaps as many as 100, for which The Post does not have the notes, so the picture that emerges is incomplete.

Those who usually attend the regular weekday morning meeting include the deputy secretary of state, the four undersecretaries, the

assistant secretaries for congressional relations and public affairs and the heads of various offices, such as intelligence. In addition, several members of Mr. Haig's personal staff are regularly there.

One official — not the person who took or supplied the notes — in regular attendance at these meetings over the last year said Mr. Haig's 10- to 15-minute morning meeting was at times referred to among some staff members as Mr. Haig's "psychiatric hour," a time for him to unload frankly and confidentially.

These notes record many of Mr.

Haig's private and apparently candid pronouncements on the serious foreign policy issues of the day.

During these conversations with his top staff members, Mr. Haig makes many statements previously unknown to the public on topics ranging from the Middle East, the United States' European allies, the Soviet Union, China and Poland to Mr. Haig's difficulties in dealing with White House decision-makers, conservative ideologies in the Republican Party and the latest news leaks.

In all, the notes provide a behind-the-scenes portrait of a secre-

tary of state who talks even tougher in private than in public. On Oct. 15, for example, Mr. Haig called the British foreign secretary, Lord Carrington, a "duplicious bastard" for his handling of a Middle East matter.

The notes show Mr. Haig as a man who is knowledgeable and deeply concerned about foreign affairs, possessed of a cynical view of the Soviet Union and desiring consistency in U.S. foreign policy with adherence to previous commitments.

The notes also show Mr. Haig's admiration for Mr. Reagan's ability to charm and influence others.

On Oct. 15 meeting, after receiving a pessimistic forecast on the chances of winning congressional approval of the proposed U.S. sale of airborne warning and control systems aircraft to Saudi Arabia, Mr. Haig says of the prospects for success: "The only way is presidential one-on-ones."

In the Oct. 15 meeting, when the issue of future grain sales to the Soviet Union comes up, Mr. Haig says he does not want any negotiations on a five-year grain deal with cut-rate prices until after next year. "Even then maybe I'll say no

Algeria	500 Dm.	Iceland	15.90	Norway	5.00 NLG.
Austria	17.5	Irid	1000 Lec	Ormen	0.450 Reis
Bahrain	0.600 Dr.	Jordan	400 Frs.	Portugal	45 Esc.
Belgium	33 B.F.	Kenya	500	Qatar	400 Rials
Canada	C\$1.10	Khartoum	500	Rep. of Ireland	50 P.
Cyprus	0.50 D.L.	Kuwait	500	Iceland	500 Króna
Denmark	4.00 D.L.	Lebanon	500	Malta	500 Lira
Egypt	85 P.	Liberia	500	Norway	500 NLG.
Finland	5.00 F.P.	Lithuania	500	Sweden	5.00 SKr.
France	4.50 F.	Mauritania	500	Switzerland	100 SFr.
Greece	2.00 Dr.	Morocco	500	U.S.A.	1.00 D.
Greece	25 P.	Moscow	500	U.S.S.R.	1.00 Dr.
Greece	45 Drs.	Netherlands	225 F.	U.S. M.R.	0.25 D.
Iran	125 Rials	Nigeria	100 K.	Venezuela	35 D.



The Washington Post/United Press International  
The Salvadoran guerrilla leader known as Alejandro Montenegro, third from left, posed with five other rebel leaders at their encampment near Palo Grande while meeting with U.S. reporters.

## Guerrilla Leaders in El Salvador Plan to Expand Armed Struggle

By Warren Hoge

New York Times Service

PALO GRANDE, El Salvador — A top guerrilla commander interviewed in this hilltop rebel stronghold says that the insurgents are resolved to make 1982 the "definitive" year of their armed struggle against the government.

The stepped-up U.S. military assistance of the past year has not produced one "strategic victory" by government forces, and the guerrillas in the same period greatly improved their combat abilities, he said Saturday.

"We're the ones who are now determining the course of the war," said Alejandro Montenegro, chief of the Guazapa zone north of San Salvador. "We are already in the definitive phase, and our interest now is to accelerate the war."

The 27-year-old guerrilla leader said the United States was simply prolonging the outcome with its continued military aid. "If the United States withdraws its support, we could topple the junta in a few months," he said.

His side, Mr. Montenegro said, was prepared to seek immediate negotiations. "But," he said, "when the United States in two weeks replaced the six planes we blew up, it obligated us to continue the war."

He said he planned the early morning commando raid three

A U.S. congressional delegation has opposed further U.S. military aid to El Salvador. Page 3.

weeks ago at the Ilopango air base on San Salvador's outskirts that destroyed six U.S.-supplied helicopters and at least 11 other aircraft.

Mr. Montenegro and five members of the area high command were interviewed by four U.S. reporters brought here by rebel guides after an eight-hour, night-time hike on mountain paths that passed through government-held areas.

A founder of his revolutionary organization nine years ago, Mr. Montenegro did most of the talking for his colleagues, who head

the guerrilla forces of the other organizations that make up the Farabundo Martí National Liberation Front. His name and those of the other commanders, Misael Galindo, Rosendo Martinez, Jaime Beltran, Raul Hercules and Joel Sanchez Bonilla, are assumed ones.

The conversation took place on the back porch of a house. Government troops were only shouting distance away, but they have not challenged the rebels' domination of the Guazapa range of volcanic peaks since a series of seven attacks between last March and August.

As the guerrilla leaders spoke, they tinkered with their rifles, all of which Mr. Montenegro noted were American. The men said the weapons were either captured from government forces, bought on the black market or purchased directly from government officers.

Israeli Uriya, they said, trade for up to \$1,700 and M-16s and G-3s for as much as \$2,000.

Asked if some of the arms did not come from Cuba and Nicaragua, as U.S. officials have charged,

(Continued on Page 2, Col. 1)

## Sanctions Issue Splits Officials In Washington

By Bernard Gwertzman

New York Times Service

WASHINGTON — Differences between the State and Defense departments over what to do about future Western sanctions against the Soviet Union in response to the Polish crisis have run so deep that both sides have agreed to submit the matter to President Reagan for a decision.

Officials in both the State and Defense departments said Saturday that the continuing debate had delayed the departure for Europe of a special team headed by James L. Buckley, undersecretary of state for security assistance, science and technology, to discuss sanctions issues with the allies. They said there was no point in Mr. Buckley opening talks with the Europeans before the administration had settled its own differences first.

Administration officials said that originally the Buckley mission was to have left Washington over the weekend. They did not know when Mr. Reagan would be able to focus on the issue but expected it would be brought to him by midweek or later.

The issue is how far the United States should pressure its allies into adopting economic sanctions against the Soviet Union, and in particular, what steps should be taken to down the construction of the \$10-billion Soviet pipeline project that is supposed to supply Western European countries with Siberian natural gas.

Specifically, there is what is described as a "bitter" dispute over whether the United States, having banned American firms from taking part in the pipeline project, should also try to stop subsidiaries of U.S. companies from participating even if foreign governments approve their taking part.

It is still unclear to what extent Solidarity leaders now interested will be able to participate in the debate, or how long the discussion is to last. Government officials have indicated, however, that they intend to ignore comments by political extremists, a category into which many of Solidarity's unrepresentative leadership are placed.

The Communist Party has announced a meeting this week intended to rescue it from its eclipse under martial law and restore it to a role of visible leadership, Reuters reported Sunday from Warsaw.

The central committee, starting Wednesday, will discuss the future of Gen. Wojciech Jaruzelski as party leader and how long military rule should last, party sources said. It will also assess the extent of opposition to the authorities and what sort of trade union structure Poland should have.

The session will be followed Friday by a meeting of Parliament to discuss economic reforms and corruption trials.

Sunday's document asserts that the government does not intend to force any specific idea of rearranging the trade union movement on the Polish people, promising that the "voice of every honest working man" would be heard clearly and firmly."

At the same time, it plainly states that the way the independent trade union Solidarity functioned was unacceptable and that some fundamental changes in the union's charter will be necessary before it will be permitted to operate again.

The draft, by a special government committee headed by Deputy Premier Mieczyslaw Rakowski, a relative moderate, says it expects to see a trade union movement evolve that lies somewhere between the old branch unions, which were rejected by a large majority of Polish workers in the summer.

(Continued on Page 2, Col. 5)

on this," he says, adding a note of concern. "The president must back us."

It was unclear why Mr. Haig spoke of "cut-rate" prices, since the Soviet-American five-year agreement that expired last October was for grain sales to the Soviets at regular commercial rates.

These notes represent words spoken by Mr. Haig but in many cases do not include small words such as an, the, is, the kind of words that might be left out by a nonprofessional note taker or someone without stenographic training.

The notes include these assertions on the following topics:

• Poland (Dec. 15), two days after the martial law crackdown: "We have evidence of Soviet involvement in all planting of Polish moves



United Press International  
Former Premier Charles Haughey of Ireland waves at a vote-counting center in Dublin. His Fianna Fail Party took 81 of 166 seats, but he declared he would form the next government.

## Irish Election Proves Indecisive; A Weak Coalition Is Likely Result

By Leonard Downie Jr.

*Washington Post Service*

DUBLIN — Ireland's second indecisive national election in eight months has again left the country uncertain about who will form its next government or how long it will last, making it more difficult to take decisive action to deal with a worsening economic crisis.

Opposition leader Charles Haughey, whose Fianna Fail party won 81 of the 166 seats in the Irish parliament, still appeared most likely Saturday to form a government with the support of some minor party and independent members of the new parliament when it meets March 3 to choose a prime minister.

But Premier Garret FitzGerald, whose coalition of the Fine Gael and Labor parties held only 78 seats, said he still hoped to win over enough parliamentary inde-

pendents to stay in power. He also would have to overcome resistance of some Labor Party leaders to remaining in coalition with his larger Fine Gael party because of disagreements over economic policy.

With tabulation of Thursday's voting finally completed Saturday night in Ireland's complicated system of proportional representation, 63 seats were won by Fine Gael and 15 by Labor. Seven were won by minor party candidates and independents, the majority of whom are Socialists to the left of Labor.

Countering a confident declaration by Mr. Haughey, who was premier from 1979 until last June, that "I will form the next government," Mr. FitzGerald said Saturday, "I consider I have an even chance of being prime minister." Their positions were reversed from last June's national election,

## Guerrillas in El Salvador Plan to Expand War Effort

(Continued from Page 1)

Mr. Montenegro replied: "We think that is a political problem because the government of the United States is interested in having a political justification for intervention." Only one of the six men interviewed said he had been to Nicaragua, and none admitted having gone to Cuba.

Mr. Montenegro's confident predictions of the guerrillas' capacity came at a time when Salvadoran military officials and U.S. authorities were admitting that the war is going badly for the government.

A year ago the failure of the rebels' "final offensive" seemed to indicate that their movement was not taking hold. However, President José Napoleón Duarte said recently, "We are losing the fight with the guerrillas in the country-side." And the defense minister, Gen. José Guillermo García, has told visiting U.S. congressmen that the army cannot win without an enormous increase in U.S. aid, including fighter jets and more than 180 helicopters.

**Change in Terminology**

Mr. Montenegro's analysis began with the failed insurrection 13 months ago which, judging from his terminology, is now being called the "January offensive" rather than the "final offensive."

"We had comrades there who couldn't tell the difference between a rifle and a machine gun," he said. He argued that the experi-

ence showed them how under-trained they were and actually served a positive purpose. "It was a way to open up a wider war." The guerrillas had now contested the "power" of the government, he said.

In the next six months, he said, the guerrillas entered a retraining phase and decided to change their rural hideaways into "real refuges" where they could set up secure permanent bases and implant their socialist ideas with the local population.

The commanders present said they all favored a democratic and pluralistic society in El Salvador. Mr. Bonilla, the Communist Party representative, was asked how he could square this pledge to respect private enterprise. He said, "In this sector too, there are democrats who are for peace."

### Bus Service Threatened

SAN SALVADOR (Reuters) — Bus owners in El Salvador have threatened to shut down their services because leftist guerrillas are destroying their vehicles.

A spokesman said Saturday that the bus owners would halt services within days unless the government boosted their security and paid for the damage. He said more than 900 buses had been destroyed and not replaced from a fleet of 4,400 buses.

Drivers also have said that guerrillas had been stopping them on inter-city routes and threatening them with violence if they continued helping solve the Northern Ireland problem.

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In the next six months, he said, the guerrillas entered a retraining phase and decided to change their rural hideaways into "real refuges" where they could set up secure permanent bases and implant their socialist ideas with the local population.

**Change in Terminology**</p

# White House Playing for Time to Win Fight Over Budget

By Howell Raines Jr.  
New York Times Service

WASHINGTON — The White House, conceding that President Reagan currently lacks the votes in Congress for passage of his 1983 budget, has decided to try to prolong the budget debate in the fall, if necessary, to reduce the pressure on Mr. Reagan to alter his economic proposals.

This new strategy of delay has been devised, White House officials concede, because the decline in the economy has robbed Mr. Reagan of his ability to bulldoze his program through Congress as he did last year. Indeed, these officials say the administration is bracing for losses of Republican seats in the 1982 congressional elections and has abandoned its hopes of winning control of the House this year because of the political impact of the recession.

"If we don't see an upturn, anything less than a 35-seat loss should be seen as a major victory for us," said a White House official closely involved in planning Mr. Reagan's political strategy.

These points, outlined by the official on the condition that he not be identified, reflect the somber mood that settled over the Reagan

team after the bipartisan congressional revolt against the president's budget. Several Reagan advisers confirm that this pessimism and caution has been deepened because private White House polls show declining public support for Mr. Reagan's policies.

The White House strategy of delay on the budget contrasts sharply with its congressional tactics in 1981. A year ago, Mr. Reagan used his personal popularity to muscle both his budget and his tax-cut legislation through Congress. Now, his advisers believe that his popularity and his clout with Congress could be badly damaged unless the current recession bottoms out by midyear.

## 'Strategy of Patience'

The new strategy, which Reagan advisers prefer to call "a strategy of patience," is designed to buy time for the president in the hope that the economy will deal him a stronger political hand, while his congressional critics wear themselves out battling over an alternative budget.

The president is now under intense pressure to reduce the proposed \$31.5-billion deficit in the fiscal 1983 budget by delaying the 10-percent cut in income taxes

scheduled for this year and by cutting military spending. But White House aides say this would amount to a "fundamental retreat" on the economic recovery program that is the centerpiece of the Reagan presidency.

Mr. Reagan's advisers, noting that the law does not require passage of a budget resolution until Sept. 30, believe that by stretching out the congressional debate for up to seven months, they can reduce the pressure on Mr. Reagan to alter his tax or defense proposals. "They're going to flag around up there," said an administration official, "and they're not going to be able to reach a consensus for a long time, and we have that time."

In this interim, according to the Reagan plan, members of Congress will have to duplicate the decision-making process that led Mr. Reagan to endorse the high deficit.

"The majority of people on the hill are saying this budget won't fly," said a Reagan adviser. "We've been through that debate down here for months. The president came down on the side of larger deficits than he would like as the best alternative — better than cutting defense or increasing taxes. Once the Congress has to sit

down and face those choices, we think that many of them will coalesce behind that budget. This might take several months."

There are two points of vulnerability in the White House plan. One, Mr. Reagan's advisers concede, is that to delay passage of the budget resolution, the administration must get Congress to approve a new debt ceiling. Such a measure, which is likely to come up for argument in April, would allow the government to borrow money to continue its operation pending passage of the budget measure.

"That is a hurdle we have to get over," a Reagan adviser said. "There, the dynamic switches" in favor of Congress, "and they can sort of force the action up there." The White House must figure out a way to win passage of a higher budget ceiling while preventing a vote on this issue from emerging as a major test of strength on economic policy. The Reagan aide said the White House has not yet developed a tactical plan for this.

The second point of vulnerability is that, given so much time, Democrats and nervous Republicans might coalesce around an alternative plan instead of the president's budget. Already, Sen. Howard H. Baker Jr., Republican of Tennessee, the majority leader and a firm friend of the White House, has spoken well of the budget alteration proposed by Sen. Ernest F. Hollings, Democrat of South Carolina. Sen. Hollings wants to freeze military and social spending at the current level and delay the Reagan tax cut until the deficit declines.

An aide to Rep. James R. Jones, Democrat of Oklahoma, chairman of the House Budget Committee, added that critics of the Reagan budget may welcome the delaying tactic. "If the economic situation continues to slide," said Wilson Morris, spokesman for the Budget Committee, "the White House proposal will be less attractive rather than more attractive, and the Republicans on the Hill will become more and more restless and will seek to distance themselves from the White House."

## Dole Urges Action

Sen. Bob Dole, Republican of Kansas, chairman of the Finance Committee, said Saturday that the White House should push the budget instead of delaying it. "If I

were devising a strategy, I would move quickly to get a bipartisan consensus," he said. But, he added, such a consensus is probably impossible unless Mr. Reagan agreed to some change in his plan to increase military spending while cutting taxes.

## Bullish Talk

The White House official quoted initially said the president is willing to consider only a compromise that "does not require a fundamental retreat on taxes or defense." But this bullish talk, he added, is balanced by the knowledge that Mr. Reagan's hopes depend on an economic upturn.

White House polls show that Mr. Reagan's personal popularity remains strong. But, the adviser said, "There is no question there is slackening off of program and policy approval."

"We long ago stopped talking about taking control of the House," the aide added in describing the political fallout of this slackening off. In every mid-term election since the Kennedy administration, the party of the president has lost an average of 38 seats, he said, noting that the White House's goal now is simply to avoid that level of disaster.



United Press International  
London Times publisher Rupert Murdoch, right, and aides, John Collier, left, and Bill Gillespie, on their way to a meeting with the printers' delegates over proposed job cuts.

## Murdoch Sets Tuesday Deadline For Staffing Cuts at Times Papers

Reuters

LONDON — Rupert Murdoch, the Australian press magnate and publisher, agreed Sunday to a 24-hour reprieve for The Times of London, the 197-year-old journal of the British establishment, which he threatens to close.

Tuesday is now the deadline for agreement on Mr. Murdoch's demands for sweeping reductions in the paper's staff, according to a joint statement issued after all-day talks with union leaders.

Mr. Murdoch has said that will lose £15 million this year. He had demanded that the staff be cut from 6,200 to 2,000 and had said the papers would be closed Monday if the unions did not agree to the reductions.

During Sunday's talks, print-union leaders pressed him to relax his deadline and temper his demands. Questioned by reporters as Sunday's talks broke up, Mr. Murdoch would not say whether he had compromised on his figure for the staff cuts.

The joint statement, read Sunday by Mr. Murdoch, said: "Progress has been made in some areas during today's talks on the future of The Times and The Sunday Times. In view of this, Mr. Murdoch has agreed to a request by the union leaders for an extension of 24 hours for discussions to be brought to a conclusion in all major areas of contention."

"In the event of these talks being successful, a further 24 hours will be given for the resolution of any inter-union matters that may arise."

## U.S. Finds Little European Backing For Its Policy on Central America

By Jonathan C. Randal  
*Washington Post Service*

PARIS — After more than a year of high-level diplomatic efforts, the Reagan administration appears to have failed in its bid to win broad support from the West European allies for its policies in Central America.

In recent weeks, as American officials have described the crisis in the region, particularly in El Salvador, as increasingly urgent terms, European politicians have shown signs of becoming more outspoken in their criticism of U.S. policy.

Thursday, Premier Wilfried Martens of Belgium backed away from official U.S. suggestions that he had endorsed U.S. policy in El Salvador when he met Wednesday on behalf of the European Economic Community with President Reagan in Washington.

At the meeting, Mr. Reagan said, "We found great agreement and support with regard to our position in El Salvador."

Although Mr. Martens, standing at Mr. Reagan's side, offered no disagreement, upon returning to Brussels Saturday he told journalists that he and Foreign Minister Leo Tindemans had "explained exactly what our position was." Mr. Martens added: "Mr. Tindemans explained again this morning that we did not approve as such the U.S. policy."

Despite U.S. lobbying, only one West European government — Britain's — has accepted President José Napoleón Duarte's invitation to send observers to El Salvador to monitor the March 28 election.

In recent weeks, at least six countries that had been lobbied by the U.S. administration — Greece, Denmark, Italy, the Netherlands, Canada, and now Belgium — have publicly refused to send observers.

In Washington, the Organization of American States last week agreed to send a three-member observer delegation to the elections. A State Department spokesman said 12 countries have expressed interest in sending observers, but only five have announced publicly that they will do so — Egypt, Uruguay, Costa Rica, Colombia and Britain.

At their latest meeting, Secretaries of State Alexander M. Haig Jr. and his French counterpart, Claude Cheysson, appear to have misunderstood each other.

The French said Mr. Haig described French-U.S. differences over Central America as "peanuts" and thus unimportant. But the Americans claim that Mr. Haig was trying to tell Mr. Cheysson that France's interest in the region was "peanuts" compared to that of the United States.

in Europe is the criticism as loud as in France.

From President François Mitterrand down, France's Socialists have preached the need for a European "third force" at least on the political and diplomatic levels to separate the combatants in Central America and help the United States find a political solution.

In Britain, Prime Minister Margaret Thatcher has been criticized harshly by opposition politicians for her support of Reagan policies. Her government announced Wednesday that it will send two observers to El Salvador for the elections.

In Italy, where the government has said little about Mr. Reagan's policy on Central America, Socialist leader Bettino Craxi, who opposes it, has been so critical of that silence that some observers question how long he will keep the Socialists in the fragile five-party coalition of Premier Giovanni Spadolini, a Christian Democrat.

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## First Major NATO Naval Exercise In Gulf of Mexico Is Set for March

*Washington Post Service*

WASHINGTON — The first major NATO naval exercise in the Gulf of Mexico and the Straits of Florida, between the U.S. mainland and Cuba, will be held between March 8 and 18, according to Pentagon sources.

Planning for the exercise, which will involve 28 ships and 80 aircraft from six NATO nations, is under way at NATO headquarters in Brussels, the sources say. Most of the aircraft will be operating from airfields on the U.S. mainland.

The exercise, called Safe Pass, will take place as the Reagan administration has begun to call attention to what it sees as a threat to allied shipping in any wartime emergency from Cuban or Soviet ships, planes and submarines operating in Caribbean or Gulf waters.

Both Defense Secretary Caspar W. Weinberger and the Joint Chiefs of Staff, in their annual reports to Congress this month on the U.S. military posture, have made a direct link between Cuba and the ability of the United States to reinforce its NATO allies in an crisis in Europe.

"In peaceime," Mr. Weinberger said in his report to Congress, "44 percent of all foreign trade tonnage and 45 percent of the crude oil imported into the United States pass through the Caribbean. In wartime, half of NATO's supplies would transit by sea from Gulf ports through the Florida straits and onward to Europe."

Because of this, the Joint Chiefs of Staff added, "Cuba would pose a significant threat to U.S. crisis-response capabilities."

In the past, the only NATO operations in this region were carried out infrequently by the five or six ships that make up NATO's so-called standing naval force in the Atlantic. This includes single vessels from the United States, Canada, Britain, West Germany and the Netherlands.

## El Salvador Outlines Massive Arms Needs

By Raymond Bonner  
*New York Times Service*

SAN SALVADOR — El Salvador's minister of defense has told a visiting U.S. congressional delegation that his army needs patrol boats, cargo planes, electronic surveillance equipment, 10 fighter jets and enough helicopters to simultaneously transport two battalions if it is to defeat the rebels.

The congressmen calculated that this would be 182 helicopters, and the total package would cost about half a billion dollars.

According to the U.S. legislators, the minister, Gen. José Guillermo García, stressed he did not want additional U.S. advisers — or 500 in all — to remain in the country — nor any U.S. ground troops.

The delegation, which consisted of Reps. Thomas R. Hardin of Iowa, James L. Oberstar of Minnesota, both Democrats, and James K. Coyle, a Republican from Pennsylvania, concluded their three-day fact-finding mission here with a news conference Friday.

They were unanimous in their opposition to further military aid to El Salvador, primarily because of the human rights abuses by the Salvadoran armed forces.

"A land without justice," Rep. Oberstar said, "sums up the El Salvador of today and the last 50 years."

The congressmen were particu-

## Latin Americans Assail Vote Set For El Salvador

*The Associated Press*

MANAGUA — A two-day meeting of Latin American political parties ended here with a statement assailing the planned elections in El Salvador and calling for a "negotiated solution" to the civil war.

The statement Saturday by delegations from 15 countries said the conditions for free elections in El Salvador do not exist because of political violence there, which is the "inheritance of half a century of pressure and flagrant human rights violations."

The statement said the elections of a constituent assembly planned for next month are "an insult to the authentic electoral processes that democracy implies" and represent an attempt "to legitimize repression." It urged the United States "to put an end to its declared interventionist policy and to its economic support of the civilian-military junta" in El Salvador.

In December, according to Nicaraguan officials, attacks on Sandinista outposts from Honduran territory suddenly increased, and Sandinista guards were kidnapped.

On Dec. 31, the Honduran Army announced that Sandinista troops had killed 200 Miskitos in Honduras. Ten days later this version was retracted, but Honduran officials insisted a "massacre" had taken place near the border village of Leymus inside Nicaragua. Nicaragua denied any such incident, but missionaries reported many villages across the Coco River, which marks the border, had been burned as part of the Sandinista effort to clear the zone.

## Blast at Managua Airport

MANAGUA (UPI) — Nicaraguans charged that U.S.-trained terrorists planted a bomb that killed three airport workers shuttling luggage to the Managua terminal from a jet airliner that had arrived from New Orleans. The bomb, planted in a suitcase, exploded Saturday.

## DIAMONDS

*The Associated Press*

PRAGUE — Czechoslovakia has taken possession of 18.4 metric tons of gold under an agreement signed last month with the United States and Britain. Prague radio said Sunday.

The return Saturday ended a dispute over the gold bar and coins seized by Germany during World War II and confiscated by the Allies at the war's end. Its value has been estimated at about \$247 million, based on current market prices.

The radio said Czechoslovak representative took control of the gold Saturday in Geneva and oversaw its transport to Prague.

Britain and the United States had been holding the gold pending agreement on settlements for property nationalized in 1948. The agreement, signed Jan. 29, provided for Czechoslovakia to pay \$130 million to the two countries as compensation to persons and companies whose property was appropriated.

The congressmen also asked Gen. García about reports that during a search-and-destroy operation last December, government soldiers killed several hundred civilians, including women, children and old people, living in Mozote and eight surrounding hamlets in the eastern province of Morazán.

Gen. García's answers were evasive, Rep. Hardin said Thursday.

Based on his discussions with U.S. Embassy personnel and human rights groups here, Rep. Hardin concluded, "There is every indication that innocent civilians were killed at the hands of the military. I do not know how many," he said, but they "did not die in firefights."

Churches Oppose U.S. Aid

WASHINGTON (UPI) — More than 350 national and local religious leaders Sunday said that President Reagan has "compromised his moral responsibilities" and urged Congress to end all military aid to El Salvador, including the training of 1,600 Salvadoran troops in the United States.

In a letter to Congress, the church leaders said that Mr. Reagan's certification last month that El Salvador had met Congress' human rights conditions for continued military assistance was "a grave violation of the trust placed in the office of the chief executive." There is "overwhelming contrary evidence" to Mr. Reagan's assertion that El Salvador is moving to control human rights violations, it said.

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## Poland: Everybody Loses

In the matter of Poland, everyone is losing. Although its spirit lives, Solidarity has been crushed. Although the Poles go to work, their production is abysmal. General Jaruzelski's martial law preserves a surface calm, but his ministers tremble at underground pamphlets that warn, "The winter is yours but the spring will be ours."

The Russians may be rid of open rebellion but are hard put to keep Poland and the rest of Eastern Europe solvent. The Western democracies have exposed the bankruptcy of Communism, but also their own reluctance to pay a price for promoting freedom. The Reagan administration's greatest confrontation with Soviet tyranny finds it considering a boycott of vodka and caviar while paying Poland's debts — so as to make it less "dependent" on the Kremlin.

One fact explains these paradoxes. In East and West, the ideologies of the day have scant relevance to the prevailing political economies. Soviet-style workers' states cannot make workers produce enough even to feed themselves without great infusions of capital and technology from the West. The capitalist states cannot keep their great farms and factories profitable without begging and bribing the East to buy their goods.

Thus the American and Soviet worlds struggle to find a commercial fit while their armies keep Europe rigidly divided. The two worlds cannot afford unending hostility, nor find a civilized basis of collaboration.

Poland demonstrates the problem, and dramatizes the root difficulty. As long as the Soviet system holds half of Europe only by force — depriving its people of prosperity and freedom — it blocks the evolution of economic, cultural and political integration. Western bankers may want a totalitarian or-

der to protect their loans, but tyrannized workers will not be made to repay them.

The deeper Soviet default is political. The highest Western interest, therefore, is to keep pressing for peaceful political change in the East. That means making tyranny more expensive and offering reward for change. And that, in turn, means the West has to bear the short-term costs of pressure tactics to promote the long-term benefits of détente.

Yet, two months into the Polish crisis, the West remains divided. Just as the Poles reveal they will not, after all, lift martial law soon or keep their promise to negotiate with Solidarity, Reagan declares himself the prisoner of American farmers, West German bankers and French pipeline workers. What good is a general held hostage by his troops?

The high ground in this contest is money — the credit that Poland and the Soviet bloc require to raise their people above subsistence levels. They already owe \$70 billion, most of which they cannot repay; they need to borrow billions more.

As long as private bankers hold half this debt, they will not only refuse to call the loans but insist on writing more. The way to bargain with debt for strategic ends is to concentrate it in government hands. Sooner or later, the Western governments will have to bail out their banks anyway. Waiting dissipates the political dividends.

Freed of the fear of a banking panic, the West could offer Moscow very clear choices: much more credit for Poland in return for a fair deal for Solidarity; more credit and trade for the Soviet Union in return for an easier atmosphere throughout Eastern Europe; a stable evolution of real default and massive disruption. Years of spring, or winter.

THE NEW YORK TIMES.

## Budget Deficits Do Matter

Now that President Reagan confronts an unprecedented run of dozen-digit deficits, he has taken up the sometime cry of liberals that deficits don't really matter. If only the economy will grow fast enough and Congress will cut spending hard enough, they will begin to shrink, he predicts, and do little damage. Few share the president's faith. But, in any case, the size of his gamble clearly turns on that old question: Do deficits matter?

History suggests that government deficits are, in fact, neither good nor bad for economic health. Their effect depends, crucially, on the vigor of the private economy and on the kind of monetary policy being practiced by the Federal Reserve Board.

Mr. Reagan is right, therefore, to argue that deficits themselves do not cause inflation, high interest rates, lower productivity or monetary profligacy. And he is right to point out that the immediate effect of deficit spending is stimulative rather than crippling to the economy. So some of the old Reagan alarm — and demagoguery — about so much red ink is, indeed, best forgotten.

But at this moment and in the years ahead, that is far from the whole story. For the huge deficits that Mr. Reagan risks are destined to hit the economy at the worst possible time — just as it recovers from a recession that has only begun to bring inflation under control.

The heavy government borrowing in 1983 and thereafter that his strategy decrees would thus run directly into the Federal Reserve Board's unrelenting anti-inflation measures — tight controls on the supply of money and credit. And from that collision can come only higher interest rates, which are bound to impede investment in the private economy.

Indeed, the billions in potential savings —

and investment — that Mr. Reagan hoped to generate by reducing tax rates would only be sucked up again by the Treasury's heavy borrowing. The Treasury can afford to pay any interest rate, but it will be bidding them up and crowding out private borrowers.

A pressured Federal Reserve might then still try to avoid the collision by again expanding the money supply faster. But that would only trade lower interest rates for a new surge of double-digit inflation.

One way or the other, the huge deficits are incompatible with stable recovery.

President Reagan may rail against these established lessons of economics. But he can hardly deny the effect they have on others. In expectation of his big-deficit budgets, interest rates are already moving higher, despite the recession. They began to climb the moment he advertised his new tolerance of red ink. Some analysts estimate that the rise in long-term rates, only since November, has already wiped out the benefit Mr. Reagan hoped to achieve by enlarging the depreciation allowances for business last year.

There is no scientific way of choosing a tolerable level of deficits for the next few years. But there has to be a perceptible and significant decline in future government borrowing if private investment is to have the benefit of lower interest rates.

Of the three incompatible promises he made in seeking the presidency, Mr. Reagan clearly feels that unbalanced budgets are the least crime. He prefers to keep his word about drastically cutting individual tax rates and increasing military spending. But the president chose wrong and needs now to be persuaded to yield on the other two.

THE NEW YORK TIMES.

## On Humble-Origins Chic

American political life must be the only social environment in which, typically, you spend the first 40 years fighting your way out of borderline poverty and hardship and into country club posh, and the second 40 years bragging about how poor you used to be.

Sometimes the thing becomes competitive. House Speaker O'Neill and President Reagan, for example, are at it again. Last June, one budget cycle ago, Mr. O'Neill zinged Ronald Reagan about not understanding working people and Mr. Reagan zinged back that he was "trying to find out something about [the speaker's] boyhood, because we didn't live on the wrong side of the tracks, but we lived so close to them that we could hear the whistle real loud." He knew the working class well, the president insisted.

Well, that one dissolved, as these nasty exchanges between the president and the speaker tend to, in a shower of aw-shucks and endearments. But another budget has produced another round. This time we have what Mr. O'Neill calls a "Beverly Hills budget." The speaker also said that Mr. Reagan had "forgotten his roots" and had "associat-

ed with the country club style." To which the president replied with speculation about where Mr. O'Neill plays his golf, if not at a country club. And so forth.

Humble-origins chic, of course, has been the political fashion since long before these two contenders were on the scene. Some politicians (Hubert Humphrey, to take a case) transform their recollection of poverty into an abiding concern to spare others its anxieties and deprivations. Others incorporate the experience into their political outlook mainly for its value as evidence that a determined would-be escapee can make it over the fence in the great land of America.

It is the resulting public philosophies and programs, not a contest as to who is or was more of a workingman's workingman, that matter. The White House is not a working-class place, and that tax break that Speaker O'Neill just helped to give himself and his congressional colleagues is not something that your average hard hat either gets or gets to vote into law for himself. We think some one should change the subject.

THE WASHINGTON POST.

## Feb. 22: From Our Pages of 75 and 50 Years Ago

### 1907: Political Strain in Cuba

HAVANA — The Liberals, representing the illiterate, turbulent masses, are confidently awaiting full control of the government, while the Conservative element is hoping almost in despair, that the American administration will give some sign that an expression from them will be welcome and that they will be assured of protection if they tell what the industrious population really wants. The American government takes the ground that it must regard the Liberals as the real representatives of the whole Cuban people if no others speak out. Perhaps this is logical, but it must lead to a revolution and final annexation, which many of the Conservatives believe is the administration's real purpose.

### 1932: Brilliant Chinese Victory

SHANGHAI — Japanese military prestige suffered a formidable setback when the Chinese launched a surprise counter-offensive and drove the invaders out of Kiangwan village, the occupation of which Gen. Ueda's troops had celebrated a few hours before with an elaborate flag-raising ceremony. By their brilliant recapture of the tactical point on the Shanghai-Wooching railroad, which they had lost after terrific fighting some 24 hours earlier, the Chinese dealt their enemy a stunning blow. The spearhead of the great offensive was broken, and Gen. Ueda's prospective "march on Nanking" collapsed. The Japanese were taken completely off their guard, and lost 13 killed and 116 wounded.



## Dispute in Reagan's Team, Drift in Its Policy

By Flora Lewis

WASHINGTON — The leak of notes from Secretary of State Haig's weekly staff meetings gives off a bad odor. For one thing, it is impolite even to an eager reporter like myself to see informal and sensitive government discussions published for no visibly higher purpose of journalistic service than to display that leaks continue.

It appears to be another round in the fierce melee of fighting for foreign policy turf which most spectacularly pits Haig against Defense Secretary Weinberger. Whoever expected to gain from the gambit, the effect shows that the great foreign policy battle within the administration still rages, and that President Reagan is still unwilling or unable to arbitrate and impose decisions.

The consequence of dispute is drift, contradiction and uncertainty. The Haig-Weinberger tiffs have been going on for more than a year, and while they originally seemed to stem more from personality and a reach for pre-eminence than from real policy conflict, they have developed into rival approaches to substance.

The recent flap about the sale of sophisticated weapons to Jordan and the direction of U.S. relations with Israel is an example. Another is what seems to be a peculiar trade-off on policy toward Cuba, Nicaragua and El Salvador against policy on Poland, the Soviet Union and the Western allies.

Haig is a good deal more sensitive to problems of keeping the alliance together than is Weinberger, who seems to think the Europeans will be bludgeoned into following America's lead, so Haig chooses Central America and Cuba to demonstrate his anti-Communist machismo. Weinberger, with the worried military commanders behind him, is more sensitive to the danger of losing public support for defense spending if the war in El Salvador is escalated or Americans get into combat, so he proves his toughness on the European issue.

The National Security Council will hold more frequent formal meetings, where the secretaries argue in front of each other, the security adviser summarizes the issues, and the president listens and questions until he is ready to take a stand. The theory is that less debate will make it easier to forge conflicting views into policy.

It probably will be easier for Reagan, who doesn't like paperwork. It conceivably could reduce Haig's and Weinberger's compulsion to sound off behind each other's backs by encouraging face-to-face confrontation, but their rivalry is too intense to make that likely.

It obviously cannot improve presentation of the complex detail which ought to go into policy formulation, or lead to greater clarity and coherence of thought on fundamentals.

The operation of the National Security Council and its staff has been a dilemma for several administrations. When the adviser is strong and keen to dominate, he either eclipses the secretary of state and short-circuits the bureaucracy, as Henry Kissinger did, or gets into quarrels and competition with them as Zbigniew Brzezinski did with Cyrus Vance.

But when he is weak and limited in power, essential coordination and imposition of a well-defined policy line fail unless the president has both the expertise and desire to do much of the job himself.

The administration knows its initial structure for White House decision-making on foreign policy worked poorly. Richard Allen, instructed to be a low-key national security adviser, lacked the power and the personality to coordinate clashing views and give the president a balanced basis for decision. Now Allen has been replaced by the president's old friend, William Clark. As the White House explains it, the system is also changed. Clark has direct access to Reagan, and there will be less reliance on written reports for the president.

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It obviously cannot improve presentation of the complex detail which ought to go into policy formulation, or lead to greater clarity and coherence of thought on fundamentals.

The effort is not made because the Reagan administration prefers a partisan approach. So the Senate cannot help fill the gaps in thinking through the problems and how to face them. There is a disturbing void, and noisy argument does not relieve it.

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## On This Evidence, a Healthy Pope

By Don A. Schanche

LIBREVILLE, Gabon — When Pope John Paul II slowly mounted the steps of a tall, make-shift altar last Sunday in the infield of a former racetrack in Kaduna, northern Nigeria, he appeared to falter. His perspiring face, which had been drawn and pallid since the attempt on his life nine months ago, was flushed.

Some longtime Vatican watchers who accompanied the once-robust pontiff on his eight-day, four-nation West African journey expressed alarm. Only three days into the arduous schedule that would require him to preside over eight Masses, deliver more than 30 speeches and stand for hours in heavy vestments in humid tropical heat, the pope's vitality appeared to have drained away.

But a few minutes later, after he took his place on a canopy-shaded throne, Pope John Paul's color returned to normal. If anything, he appeared healthier than he had when the papal plane left Rome the previous Friday.

The pontiff went on to conduct an outdoor Mass, including the ordination of 92 Nigerian priests, that lasted more than three hours. While many, including more than one Vatican priest in his entourage, slipped away from the ceremony to the air conditioning of a nearby hotel, the supreme pastor

of the Roman Catholic Church seemed to gain strength.

From that day on, until the end of the journey on Friday, the pope kept to a pace that exhausted men half his age, yet he never seemed to flag. The 61-year-old man, whose favorite pre-papal sport was skiing, did not bounce up from a kneeling position as quickly as he used to, and the heat and dust were burdensome to him and to the more than a million Africans who flocked to see him. But his health clearly was no longer a problem.

In Cotonou, Benin, he rushed to the slumped form of an African admirer who had fainted from heat and excitement as President Mathieu Kerekou led the papal entourage along a quarter-mile, red-carpeted receiving line. The pope had bent and was lifting the fallen African when aides relieved him of that burden.

In Libreville he knelt upon arrival to kiss the ground and rebounded almost like an athlete without the help of papal assistants who had become accustomed to gently lifting him on occasion in Rome and in Lagos, Nigeria's chaotic capital, he beat easily to kiss Polish children assembled in the local archbishop's garden, and appeared ready to join in games if the occasion had been a more festive one.

And day after day he endured

jolting rides through the press of ecstatic crowds, standing in open Land Rovers, heavily gowned in white silken robes that became quickly soiled from sweat and dust. He walked lightly up the steps to dozens of alters and greeting platforms to stand patiently and amiably in the oppressive heat while hosts like Kerekou — a nominal Catholic, traditional animist and romantic Marxist — delivered banal welcomes or political oratory, using the pope's presence to enhance themselves.

The man is amazing. It's as though he's trying to prove to all of us that he can still do what he used to," said Archbishop Paul Marcinkus, the Lithuanian-American who acts as advance man and bodyguard on papal trips.

On Thursday, the pope took his pastoral message of peace and social justice to Equatorial Guinea, a nation of Catholics who have suffered more than most of the world's religious communities. The country is just recovering from the ravages of a brutal dictatorship.

During his seven-and-a-half-hour visit, the pontiff said the church wanted to offer "its assistance to the people, its work in favor of reconciliation of spirits and its service in the fields of education and culture."

The pope's two doctors, an Italian and a Pole, discreetly refused to comment when reporters tried to question them about the pontiff's health, but neither appeared unduly concerned about it. In some of the motorcades they did not even insist on the customary precaution of an ambulance.

For this correspondent, new to the papal entourage and, like most others, exhausted by the 20-hour days of the papal mission to Africa, the best professional assessment of Pope John Paul's physical condition came from an unusual source in northern Nigeria. Dr. Jerzy Wieczorek is a surgeon who has been working in Nigeria for four years under a contract between the Polish and Nigerian governments.

"He looks so worn out."

At the racetrack in Kaduna, Wieczorek saw the pontiff close up when the papal Land Rover paused and the pope blessed a Solidarity banner that the surgeon and some of his fellow expatriates were holding aloft. "He looked wonderful," Wieczorek marveled.

So to all the president's other difficulties there is now added one not previously apparent. Reagan has to lean on a staff that is bent and may even be broken.



were skiing in Poland" in 1972, said Wieczorek. "I was at a little restaurant with my daughter when two skiers came in and a nun rushed up to one of them and kissed his hands. He was bishop of Krakow then. I met him on the slopes, too. He was an excellent skier, a very athletic man."

After the pope was shot last May 13 by a Turkish terrorist in St. Peter's Square, the Polish surgeon said, he was appalled by what appeared to be the pope's slow recovery from surgery and its complications. Even when he saw the pope on television as the Vatican plane arrived in Lagos, Wieczorek later recounted, he asked himself: "What has happened to this chap? He looks so worn out."

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## The Staff May Be Broken

By Joseph Kraft

WASHINGTON — The White House staff was one of the hidden assets that made Ronald Reagan's first year such a success. But events have been that staff almost out of recognition.

The troika structure has been shattered, and all three members have been weakened.

Edwin Meese, the president's counselor, designed the system that went into effect last year, and was top man in the troika. He served to himself major policy issues in domestic and international affairs. He kept most foreign policy on a back burner by playing off Secretary of State Haig against Secretary of Defense Weinberger. He thus focused attention on the economic program that had emerged fully developed from the 1980 campaign. By making good on campaign promises to reduce taxes and spending, Reagan achieved a major plus in the first eight months of last year.

But Meese has been

INTERNATIONAL HERALD TRIBUNE, MONDAY, FEBRUARY 22, 1982

## Rapid Growth of Cities A Troubling Problem For India Development

By Michael T. Kaufman

*New York Times Service*

NEW DELHI — Indian demographers poring over the results of last year's national census are reporting that the suddenly burgeoning growth of major cities represents a more troublesome statistic than the overall steady population rise with its evocations of Malthusian doom.

In the last 10 years hundreds of Indian cities have grown in population by around 40 percent. Some small urban settlements have tripled in size. The ties keeping poor peasants in their villages have loosened radically, and most cities are growing at least twice as fast as the country's overall population.

Ashis Bose, an internationally known demographer and the author of "India Urbanization," said the flood of new cities that had been predicted 30 years ago is finally taking place in many parts of the country.

Mr. Bose said such growth figures show two prevailing patterns. He noted that the rate of growth for a city like Bangalore, which is industrializing rapidly, is running ahead of the rate for Calcutta, where investment has stagnated and the influx largely reflects the impoverishment of the countryside.

Cities such as Calcutta or Patna

in Bihar, which offer scant employment opportunities, now run the risk of becoming swamps of poverty in which the huge masses of unemployed simply overwhelm the already meager resources.

Mr. Bose also sees signs of hope in the urbanization figures. He regards cities as places where progressive and regressive social patterns are quickly transformed.

"On a crowded bus in the city next to one asks the person sitting next to them his caste as they would in a village," he said.

He noted that the problem of chronic unemployment and underemployment could be ignored by governments largely because it was so diffuse, spread in pockets over largely remote expanses. As large groups of disaffected people gather in cities, their demands for jobs, housing, education, transportation and health care will not be so easy to parity or dismiss.

There have been a number of sociological studies by Indians and foreigners that sought to account for the relative immobility of the Indian rural masses by stressing such cultural factors as Hindu fears of caste pollution and the ties and benefits of an extended family system.

Mr. Bose finds such explanations superficial. "What we are seeing is proof that rural misery is a necessary but not sufficient impetus for migration," he said.

"What is also needed is a village man or a caste brother who is established in a city and can help the newcomer. It is a classic example of chain migration and such a process takes time to gain momentum, but when it does it accelerates quickly."

Evidence of Mr. Bose's explanation comes readily to hand. All the newspaper vendors in Delhi come from the Salem district of Tamil Nadu more than a thousand miles away. The construction workers laboring round the clock in the capital to finish arenas and hotels for next fall's Asian Games come from the states of Rajasthan and Orissa. The thousands of men who pedal bicycle rickshaws are all recent newcomers from several districts in the southern state of Andhra Pradesh. In the major cities, there are colonies of newcomers united by language and custom.

In the shabby bungalow from which he directs the world's largest census operation, Pedatadas Padamabandhu reviewed some of the preliminary findings in terms of urbanization. He noted that all urban settlements in India grew in the last decade but the greatest growth came in the largest settlements.

Another goal seems to be to free the urban-based economy from governmental regulations while stepping up social assistance in the countryside. Although a number of economists are discussing such a strategy, no one has yet come up with concrete plans for the kind of rural development that would keep Indian peasants on farms and produce orderly growth and investment in the cities.

Neither government nor broad policies without much capital seem likely to divert or thwart the human tide. The hope of the demographers, which they say is sustained by human experience, is simply that the greatest number of people will go to the areas of greatest opportunity, and that it will all work out over the decades.

Three more cities were added to the number of urban settlements with more than 1 million people. There are now 12, ranging from

Calcutta with 9,165,650 people to Jaipur, the city of pink palaces in Rajasthan with a population of just over 1 million.

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the farm added fewer than 600 rifles and 200 heavier weapons, including seven Soviet-made surface-to-air missiles, to the stockpile of arms previously recovered.

It was a sizable cache but hardly enough for a coup. Former commanders of the old Nkomo force have indicated that it was buried at the time of last year's fighting for purely defensive purposes, an explanation that sounds plausible to most detached analysts but that the prime minister and his supporters seemed to reject out of hand.

It has been suggested that Mr. Mugabe was coolly engaged in a power play to hasten the achievement of the one-party state that he has often said he wants. But driving the other major party into opposition appears to set back that aim rather than advance it.

Mr. Mugabe has always said that he wants the merger of the two parties to be voluntary. Now he appears to have created a situation in which it could only be accomplished by force. The question is whether that was his intention.

It seems more likely, that the prime minister's underlying mistrust of Mr. Nkomo, dating back nearly 20 years, merged with his sense of vulnerability to outside threats and plots, which seems to have been deepening in recent months.

Given the obvious fragility of the army and the disastrous conse-

quences of a collapse there, why did Mr. Mugabe decide to push Mr. Nkomo over the edge by putting the most sensational possible construction on the discovery of the arms cache? Mr. Mugabe's answer was that the discovery provided conclusive proof of what had previously been only a theory: that Mr. Nkomo's appetite for power had caused him to prepare for a coup.

But the evidence that the prime minister judged to be conclusive appeared to many to be hardly

### NEWS ANALYSIS

more persuasive than Mr. Nkomo's own protests of injured innocence that he had never known anything about the buried arms.

In recent months former Nkomo guerrillas had been leading army search teams to buried weapons at assembly points used by their guerrilla units before they were disbanded. According to Mr. Mugabe's own figures, the discovery of the farm added fewer than 600 rifles and 200 heavier weapons, including seven Soviet-made surface-to-air missiles, to the stockpile of arms previously recovered.

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### Pledge by Nkomo

BULAWAYO, Zimbabwe (AP) — Mr. Nkomo pledged here Saturday to work for peace, while in other parts of the country, both his and Mr. Mugabe's supporters staged demonstrations.

"I am back to where I was 22 months ago," Mr. Nkomo said, referring to independence in April 1980. "I am now not struggling to build Zimbabwe but to make sure that it does not disintegrate."

About 200 of his backers marched Saturday through Salisbury in the first public show of support since his dismissal. About 8,000 people in the town of Gatoma demonstrated in support of Mr. Mugabe, press reports said.

The report also says people with chronic heart or lung problems should sometimes take extra precautions when flying. It was compiled by the American Medical Association.

Letter of Protest

A letter of protest sent by Foreign Minister Carlos P. Romulo through the U.S. Embassy here to the State Department has demanded an explanation for the discriminatory acts committed by United States immigration and customs officials.

Several Filipinos, including politicians and businessmen, have complained that they were treated as if they were criminals at U.S. ports as if they were criminals.

High-altitude commercial jet travel is inadvisable for those with severe anemia, hemophilia, extremely high blood pressure, women in the last month of pregnancy or people who suffered heart attacks within the previous four weeks or a stroke within the previous two weeks, it said.

Dr. Paul Mesnick, a commission member, said some of these problems stem from a drop in air pressure in plane cabins. When this occurs, he said, "less oxygen is able to get into the blood. For the average person, that makes no difference."

But he said complications can arise for those with heart or lung troubles. A pressure drop also causes gas or air to expand, and gas in the chest or eye can create breathing or visual problems, he said.

The U.S. State Department esti-

mated that there are 1,200 to 1,500 Soviet military personnel in Ethiopia and 10,000 to 12,000 Cubans.

The target of the offensive is

Nakfa, a mountain village in the north corner of Eritrea, according to Mr. Gebrenewel. On Feb. 16, he said, a division of Ethiopian forces entered the Sudan in an effort to outflank Eritrean guerrillas.

Mr. Demekie denied that

Eritrean troops had crossed the border into Sudan. Abdul Rahaman Bakheit, first secretary at the Sudanese Embassy in Washington, said he had no information on Ethiopian troops' being in his country.

The spokesman for the U.S.

State Department also said there have not been any official reports of Ethiopian soldiers crossing into Sudan.

Thousands of supporters of Prime Minister Robert Mugabe demonstrated in central Salisbury.

## Eritrea Rebels Report Ethiopian Offensive

From Agency Dispatches

KHARTOUM, Sudan — Ethiopian planes are making daily bombing runs against guerrilla positions in the rugged Eritrean highlands as part of a major offensive against Eritrean secessionists, a guerrilla spokesman said Sunday.

The spokesman for the Eritrean People's Liberation Front said the guerrillas had killed 400 Ethiopians and wounded 550 in two battles on Thursday and Friday.

According to the front, the Ethiopian government launched a full-scale offensive Feb. 16 against the guerrillas, who are fighting for the independence of the strategic Red Sea province.

Spokesman in New York

In New York on Friday, a guerrilla spokesman, Hagos Gebrenewel, said that the Ethiopian government was using chemical weapons, napalm and cluster bombs against the rebel forces.

Mr. Gebrenewel said he had received reports of people "screaming and vomiting" after a battle

500 in Japan Hold Rally  
Against Whaling Ban

The Associated Press

TOKYO — About 500 whalers and supporters in northern Japan have held a rally to oppose a movement within the International Whaling Commission to extend a ban on hunting sperm whales.

The commission agreed last summer to ban the killing of sperm whales until member nations could agree on seasonal quotas, and there is a likelihood that the ban will become permanent when the group meets in March in Brighton, England. The rallyists, at Otsuka, at the tip of the Oshika Peninsula, urged the Japanese government Saturday to exert diplomatic pressure on commission members to head off such a ban.

### AMA Cautions Against Flying After Surgery

The Associated Press

CHICAGO — People recuperating from recent chest, abdominal or eye operations face possible health risks when traveling on jet airliners, according to a report by the American Medical Association.

The report also says people with chronic heart or lung problems should sometimes take extra precautions when flying. It was compiled by the AMA's Commission on Emergency Medical Services and published in the Feb. 19 issue of the *Journal of the American Medical Association*.

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### Yugoslav Population Rise

Reuters

BELGRADE — The population of Yugoslavia rose from about 20.5 million in 1971 to about 22.4 million in 1981, the Federal Statistics Bureau said Saturday.

The presence of U.S. military bases on Yugoslav soil has meant millions of dollars for the coun-

try.

Mr. Soria and \$60,000 in cash from Mr. Alphadii shortly after midnight Friday.

Hotel spokesmen said that Mr. Soria, who had told the police he was from Syria, had listed Kuwait as his home when he registered.

The other man, who told the police he was Mr. Alphadii of Saudi Arabia, had registered at the hotel as Allah Al Nuimi of the United Arab Emirates.

The victims were identified by

the police as Abdul Soria of Syria and Ala Alphadii of Saudi Arabia,

who described themselves as real estate agents for their governments,

Gabriele Lagerwall, a longtime resident of the hotel. According to the police report, the robbers took the jewelry from Mrs. Lagerwall, \$20,000 in cash from

Saturday.

Mr. Soria and \$60



Published with The New York Times and The Washington Post

Page 7 Monday, February 22, 1982

## Saudi Arabia Dismisses Reports Of a Sharp Cut in Oil Production

From Agency Dispatches

RIVADYAH — In a response to reports of a sharp cut in its crude-oil output, Saudi Arabia said Sunday that its production "is continuing within the framework of the announced ceiling of 8.5 million barrels daily."

A Saudi Oil Ministry official, in a statement to the Saudi press agency, denied reports that "any decision has been taken to reduce production to between 7 million and 7.5 million barrels daily." The statement was the first official Saudi announcement on oil policy since last month's reports that production fell to just below 8 million barrels a day during January.

Meanwhile, OPEC's president said he was seeking to arrange a special price meeting "as soon as possible," and the Middle East Economic Survey said buyers expect that Britain soon may cut its North Sea oil prices.

### Shipping Less

Oil industry sources in New York said Friday that the Saudis had let their production fall to between 7 million and 7.5 million barrels a day this month. The sources said that, while not altering the official ceiling, the Saudis had moved to support prices by letting oil companies ship a little less than their quotas, so that output would gradually decline.

Saudi Arabia, the world's largest crude oil exporter, accepted a ceiling

of 8.5 million barrels, last November at the demand of other OPEC members, which hope lower output will keep prices from falling further. The previous Saudi ceiling was 9.5 million barrels.

OPEC contract prices are set in relation to the official price of \$34 a barrel for Saudi light crude. But Saudi light recently has been quoted below \$29 on the spot, or non-contract, market. Iran, desperate for sales, broke ranks this month and cut its contract prices by about \$2.

Reports of this price cut led Iraq's oil minister, Tayeh Abdul Karim, to call last week for emergency OPEC talks; but it is unclear whether OPEC ministers will agree to hold a meeting before the session scheduled for May 20 in Quito, Ecuador.

Sheikh Mana Said al-Oteiba, OPEC's chairman and oil minister of the United Arab Emirates, said Saturday that oil ministers were continuing to discuss whether to schedule a special meeting on price strategy, according to the official UAE news agency.

Recession and the growing use of other fuels have slashed OPEC output by a third from a peak of nearly 31 million barrels daily in 1979, and nine of the 13 OPEC members are running budget deficits.

Oil experts have been puzzled by the lack of a formal Saudi move to cut production and steady the market.

**U.S. Rate Drop Fails To Dispel Skepticism**

By Carl Gewirtz  
*International Herald Tribune*

PARIS — The U.S. Federal Reserve held center stage in the international markets last week as all eyes were riveted on how it would respond to the conflicting signals provided by the latest economic data.

A bulge in the growth of the money supply — advancing at an almost 13 percent annual rate compared to the targeted maximum 5½ percent — implied continued tightening by the Fed, re-

### EUROBONDS

sulting in higher interest rates and a stronger dollar on the foreign exchange market.

Responding to pressure that had already built up in short-term interest rates, most U.S. banks last week raised their prime lending rate half a point to 17 percent. In the foreign exchange market, the dollar hit a five-month high at 2.40 Deutsche marks.

On the other hand, there was mounting evidence that the United States was slipping deeper into recession. January's industrial output was down a sharp 3 percent, housing starts were off 6.6 percent and factory use had slowed to 70.4 percent of capacity from 73 percent in December.

The signal came at midweek, when the Fed began feeding the New York money market and nudging the cost of overnight money lower. This ignited a rally in the bond market and clipped the dollar on the foreign exchange market.

But no one was willing to read too much into this pending the Fed's late Friday report on the money supply. Most forecasts ranged from no change to a modest decline. For a happy change, the analysts had overestimated in the wrong direction. After Wall Street closed, the Fed reported a more-modest 3.1-billion drop in M-1.

### Bond Prices Jump

While analysts breathed a sigh of relief that the pressure building on the Fed to push rates higher had dissipated (at least for this week), there was not much hope expressed about this being the beginning of a substantial easing of the Fed's monetary policy. The M-1 rate of growth still remains beyond the targeted range and the record projected federal budget deficits still have to be reckoned with.

Nevertheless, bond prices jumped in the little time that remained to trade and the cost of overnight money dropped to 13 percent, well below Friday's opening rate of 14 percent and considerably below the week's high of 16½ percent. Three-month Euro-dollars quoted in New York dropped to 15½ percent from the 15½ percent quoted in London during the European business day and the dollar finished in New York at 2.35 DM, down from 2.3647 DM quoted just before the

(Continued on Page 9, Col. 2)

market. The Saudis themselves have said they could meet their financial goals while producing as little as about six million barrels daily.

Some analysts have speculated that Saudi Arabia may be reconciled to a fall in oil prices. Others say that the Saudis will reduce production eventually but first want to punish such OPEC countries as Iran, Algeria and Libya, which led the 1979 scramble for higher prices when oil was in short supply but have been hit hardest by falling sales in the current glut.

One London oil executive said it is unwise to speculate about motives for Saudi oil policy, observing that the Saudis "play their cards very close to the chest."

The Nicosia-based Middle East Economic Survey, in this week's issue, said the most spectacular slide in spot crude prices has been in North Sea crudes. The survey said British Forties field crude was recently sold on the spot market at \$29.40 a barrel, compared with the official contract price of \$35 set Feb. 8 by state-owned British National Oil Corp.

By March, the survey said, BNOOC will have 120,000 barrels daily of crude that it will not be able to sell at the official price. Thus, "buyers are now expecting that BNOOC may be forced to reduce its price by a further \$2 or so" from \$35, the survey said.

While high inflation has given the illusion of

Ward show revenue gains, Woolworth is flat.

The company is the largest U.S. variety store chain with 1,700 outlets; one of the largest discount store chains with 327 Woolco's in the United States and 113 in Canada, and the largest retail shoe chain, with 2,850 Kinney stores. It has 326 Richman Brothers Clothing stores and 27 J. Branham apparel discount shops, plus several other smaller chains.

The company has a majority interest in F.W. Woolworth Ltd. in Britain, as well as subsidiaries in Canada, West Germany, Australia, Mexico and

growth in retail sales for several years, "retailing has gone nowhere," said Fabian Linden, director of consumer research for the Conference Board. With energy and food making larger claims on the family budget, he said, there is less to spend on clothes and appliances. Projections of better retail business this year are fading along with the Reagan administration's rosy forecasts for the economy at large.

At Woolworth, the problems stand out. "It is the most interest-sensitive chain," said Stuart M. Robbins, first vice president of Paine Webber. Interest expenses, \$78 million in 1979, soared to an estimated \$185 million last year. While Sears and Penney turned in profit margins of about 3 percent last year, Woolworth eked out just 0.7 percent. While K-mart and even Montgomery Ward

Gibbons said,

Mr. Gibbons, who is also Woolworth's chief executive officer, was elected chairman of the National Retail Merchants Association last month. As such he represents the other retail giants — Sears, Roebuck & Co., K-mart Corp., J.C. Penney Co. and Montgomery Ward — as well the department-store chains.

For all of them, the picture is grim. Mobil Corp.'s Montgomery Ward chain has been deep in the red for two years, while earnings at Sears, K-mart and Woolworth are sagging. Only Penney is showing gains in profits, but its revenue growth has been minimal.

(Continued on Page 9, Col. 6)

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(Continued on Page 9, Col. 6)

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## Bankers Say Lending Fees Likely to Rise

(Continued from Page 7)

on what terms the Buenos Aires electricity company Segba will accept. "They can opt for a club loan," says one banker and match the terms of the recent YPF transaction. "Or they can attempt to re-establish Argentina" as a sought-after credit by providing banks a return of "more than 1% point over Libor."

Pemex, for example, offered what is widely deemed as "very good" pricing and bankers now talk about possibly increasing the amount from the indicated \$2 billion. The four-year loan (renewable for another four years at the option of lenders) carries a margin of 3% point over Libor.

There was still no word on the \$1-billion jumbo from Venezuela, but bankers are beginning to fret about the many problems delaying the signing of the government's recent \$500-million loan. The Venezuelans reportedly are attempting to restrict the wording of the cross-default clause, are bickering over jurisdiction and are insisting on writing the contract in Spanish, which bankers fear will restrict legal recourse to Spanish-speaking courts.

Two new Venezuelan deals are on offer. Banam is seeking \$300 million, evenly divided between a two- and three-year transaction. The interest on both will be set at half a point over Libor. The state-owned national savings bank last year borrowed \$700 million for three years at a half over Libor.

Gabinete de Asuntos de Sines, a Venezuelan government agency financing construction of petrochemical complex, is seeking \$50 million for eight years, paying half a point over Libor for the first six years and 3% point thereafter.

Next in line is Venezuela's state power agency, Electricidad del Caron, which is looking to raise up to \$500 million in an eight-year loan.

Electricidade de Portugal is raising \$100 million for eight years offering to pay half a point over Libor for the first six years and 3% point over thereafter.

### Korean Exchange Bank

SEOUL (Reuters) — The Korean Exchange Bank, one of South Korea's foreign financing arms, plans to raise \$1.78 billion in foreign funds this year. KEB President Chung Choon-Tak notified Finance Minister Kim Woong-Bae, a KEB spokesman said.

This will include long- and medium-term bank loans worth \$400 million, \$250 million in floating rate certificates of deposit and floating rate notes as well as \$200 million in lines of credit, he said.

## Ship Magnate Pushes for Japanese Aid to U.S.

Los Angeles Times Service

WASHINGTON — A 72-year-old Japanese-American shipping magnate, promoting a plan for Japanese companies to provide \$10 billion of aid to create jobs in the United States, is not ruffled by those who question whether the idea could ever be accepted.

U.S. officials said the plan, disclosed last week and designed to reduce Japan-U.S. trade tension, is still only an idea that must be sold to the governments of both countries. For its part, the Japanese Finance Ministry said Friday that it had no official knowledge of the plan.

But in an interview Friday, Kayitaro (Kay) Sugahara, the shipping magnate, said: "I know my plan can be done once the government decides to do it, and they will because it's for the good of the country."

Mr. Sugahara said he conceived his reverse Marshall Plan at the urging of Japanese businessmen concerned about threatened U.S. restrictions on imports of Japanese goods. He said he suggested that the businessmen try to arrange a fund of about \$10 billion to finance job-creating projects in the United States.

A practical financier who has been on his own since he was orphaned at 12, Mr. Sugahara noted that \$10 billion is nearly 60 percent of Japan's 1981 trade surplus of \$18 billion with the United States. He said he told the Japanese it was better to give back 50 percent than lose everything.

Mr. Sugahara said the aid could be in the form of loans guaranteed by the Japanese government to Japanese or American investors. The loans might carry interest as low as 6 percent, far below the current U.S. prime rate of 17 percent, he said.

After the approach by the Japanese businessmen, Mr. Sugahara contacted the governors of U.S. states about his idea. Monday he goes before the International Trade Committee of the National Governors Association to hear the governors describe the kind of projects they would like to have in their states.

He will then take a list of these projects to Japan and present them to business leaders there. It will be up to the Japanese executives to persuade their government to back the program.

### 'A Generous Gesture'

As of late last week, U.S. officials knew little about the plan. A spokesman said the assistant secretary of commerce, Raymond Waldman, had a "very general discussion" with Mr. Sugahara concerning it.

Mr. Sugahara is scheduled to meet next week with William E. Brock, the U.S. government's special trade representative. This is certainly a generous, spiced gesture," a spokesman for Mr. Brock said Friday. "If it is the first step in opening access to Japanese capital markets for Americans, then it's a good thing."

But, the spokesman said, "the fundamental answer to U.S.-Japan trade relations will come when American workers can produce American goods and services to be freely sold in Japanese markets."

A Japanese-American businessman with intimate knowledge of Japan's government speculated that Mr. Sugahara's program might have a more modest beginning — "probably less than \$1 billion" — and be coupled with elimination of Japan's so-called non-tariff trade barriers.

### Relaxed About Details

Noting such possibilities, Mr. Sugahara said, "I'm not concerned about details." He added casually: "I know people who control billions."

A native of Seattle, Mr. Sugahara grew up in a Methodist mission in Los Angeles after his parents died and worked his way through the University of California, Los Angeles.

Mr. Sugahara, his wife, Yone, and three sons were interned during World War II, part of the time at the Santa Anita racetrack in Arcadia, near Los Angeles.

After the war he arranged for construction of tankers in Japan for U.S. oil companies, then became a tanker owner himself. He was described in a magazine article as a Japanese-American "Oncass" without Jacqueline Kennedy.

"My wife read that and said, 'Kay, you've got something better,'" Mr. Sugahara said.

## Drop in U.S. Rates Fails to Dispel Skepticism

(Continued from Page 7)

over the prevailing Frankfurt share price.

Even so, the paper dropped to 96 in the secondary market at mid-week and by Friday lead manager Deutsche Bank was quoting a wide 97½-99. Away from the lead manager, dealers were quoting the bonds ex-warrant at 81 (to yield about 16 percent) and the warrants alone at 16. Deutsche Bank quotes a unified price as the warrants can not be exercised until April 1993.

Amada, Japan's largest machine-tool company, is selling \$30 million of 15-year bonds bearing a coupon of 16½ percent at 99½ to yield 16%. The paper ended the week at a modest discount of 98¾-99½ after starting trading at 97½-98½.

### Beef Sweeter

The \$60-million, seven-year issue for Carolina Power & Light, priced at 99 bearing a coupon of 16½ percent opened trading at 97¾-97½ but ended the week at 97¾-98½.

Basf Overseas had obvious difficulty in marketing its \$165 million issue of six-year notes at par bearing a coupon of 11 percent. The "sweetener" was supposed to be the warrants attached to each note entitling the holder to buy 20 shares of the parent West German chemical company. The exercise price of the warrant was reduced during the offering period from the indicated 136 DM per share to 133 DM, a scant 1.5 percent premium

of new Eurobonds, the central bank has underlined its desire to keep a lid on this potential source of capital outflow by asking banks to limit the size of issues. The maximum amount that sovereign states can issue is now restricted to 200 million DM, that of non-sovereign borrowers is limited to 150 million DM and private placements are restricted to a maximum 100 million DM. Previously, there were no limits.

Last week, the EEC sold 200 million DM of 12-year bonds bearing a coupon of 16½ percent at a discount of 99 to yield 9.91 percent, but with the price in the secondary market quoted at 98-98½ the paper was trading at a yield of just over 10 percent. Final terms will be fixed March 1.

Denmark's 200 million DM issue, evenly split between six-year notes carrying a coupon of 10 percent and 10-year bonds bearing 10½ percent was quoted on a when-issued basis of 1½ points below the offering price which is expected to be par.

Currently on offer is Telefonica, the Spanish telephone company. It is raising 100 million Deutsche marks in a 10-year "bullet" issue which is being offered with a coupon of 10½ percent. Scheduled to be launched this week are issues for Nafima of Mexico and Renfe of Spain.

A 30-million-DM issue for Nippon Sheet Glass is on offer bearing a coupon of 7 percent, a full percentage-point increase over

(Continued from Page 7)

Spain, and stores in Puerto Rico and the Virgin Islands. Total sales in the fiscal year ended Jan. 31 were about \$7 billion.

As Paine Webber's Mr. Robbins sees it, "The big problem is the Woolco division, which has never made any money mainly because it's failed to establish a product mix or merchandising style that stands out." Still, Mr. Robbins said, "management has made some good moves lately."

Most of those moves have been turns of the visage of austerity: Woolworth has embarked on a program of tight control over inventory, store openings, buying practices and financing.

As Mr. Gibbons sees it, the biggest villain at present is high interest rates. "My objective is not to concern myself how we borrow more money but to liquidate our debt," he said.

### The Trouble With Imports

Debt service has soared at other retailers too as the industry has tried to finance huge inventories. At Sears, interest expense has more than doubled in the past couple of years; at Montgomery Ward, it is now the equivalent of more than 7% of revenue.

The high cost of debt has taken a toll on imported goods. "With American-made goods, you may only have to wait 20 days between order and sale," Mr. Gibbons said. "In fact, you may well have the cash in hand from sales before you need to pay the supplier."

With imports, retailers must pay, on credit, the moment the goods are received at foreign docks, and it may take three or four months for delivery in the United States. With high interest rates, that delay is costly.

As part of the austerity measures, Woolco has subleased nine less profitable stores to other tenants and is considering the same move for 39 others. If subleasing proves impractical, a Woolworth vice president said, closings will result.

### Cutting Back in Britain

While the program affects only Woolco so far, "it has a counterpart in all our divisions, including our international operations," the official said.

Mexico, where the economy is booming, is an exception, and expansion is planned. Woolworth is a 49-percent partner in its Mexican subsidiary following a July 1981 sale of the majority interest. The sale, forced by Mexico, yielded

### Kreditelux Indices

(Data 100 May 1, 1977)

Market Turnover	Week Ended Feb. 19	Feb. 19
Int'l inst. lg term US\$....	15.76 %	76,425
Ind. long term, US\$.....	15.48 %	55,907
Ind. medium term, US\$.....	16.02 %	55,511
Can.\$ medium term.....	15.63 %	52,322
French fr. medium term.....	16.24 %	52,274
Int'l inst. lg term yen ....	8.32 %	51,274
ECU medium term .....	13.88 %	51,274
EUA long term .....	12.26 %	51,274
Int'l inst. lg term LF.....	12.92 %	51,274
FL long term .....	12.79 %	51,274

\* Calculated by the Luxembourg Stock Exchange

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## THE NATIONAL BANK OF KUWAIT IN 1981

"I am happy to state that the impressive growth achieved exceeded expectations both in terms of total assets acquired and profitability."

Mohamed Abdul Mohsin Al-Kharafi, Chairman.

- \* Total assets up 42%
- \* Letters of credit, acceptances and guarantees up 51%
- \* Deposits with banks up 44%
- \* Loans and discounts up 39%
- \* Published net profits up 28%
- \* Paid up capital up 30%.

1981 was another year of outstanding growth for Kuwait's largest and oldest commercial bank, The National Bank of Kuwait.

It continued a sustained pattern of development that has seen the Bank's total assets more than triple over the past six years.

All operating divisions performed well despite increased competition and volatile international interest and exchange rates.



### Balance Sheet Highlights KD1 = US\$ 3.554

Total assets in 1981 reached KD 1,953 million, an increase of 42% on 1980.

The balance sheet total was up 44%, at KD 2,564 million.

NBK consolidated its leading role in the finance of local development projects and Kuwait's foreign trade with a 51% increase in letters of credit, acceptances and guarantees.

Cash and balances increased 43% to KD 137 million, and deposits with banks up 44% to KD 467 million, also showed dramatic growth.

NBK's continued strong commitment to its Kuwaiti customers, combined with increased international diversification, was reflected in a 39% rise in loans and discounts to KD 886 million.

Shareholders' equity grew to KD 96 million, from KD 81 million in 1980.

Net profit for the year was KD 16 million, compared with KD 12.5 million in 1980, an increase of 28%.

Upon the recommendation of the Board of Directors the shareholders have approved a dividend of 18% (KD 0.180) per share, and an increase in the Bank's paid-up capital of 30%.

### Continued leadership in multinational credit

The Bank continued to emphasise its leadership in syndicated activities for customers at home and abroad, managing 34 transactions in all with a total volume of KD 654 million (US\$ 2.3 billion).

Syndicated loans and guarantees amounting to KD 186 million were arranged for multinational companies and contractors

doing business in Kuwait. In addition, the Bank acted as managers in 14 Eurodollar transactions valued at KD 468 million.

### International Growth

The Bank pursued its international expansion policy vigorously in 1981 opening a Representative Office in Singapore, and officially inaugurating NBK Overseas (London) Limited and NBK Investment Management Limited.

The Bank also acquired 51% of FRAB Group International, whose assets exceed US\$ 1.2 billion.

For further information on Kuwait's leading Bank, internationally, please post the coupon for a copy of the 1981 Annual Report or contact our Head Office or any overseas division listed below.

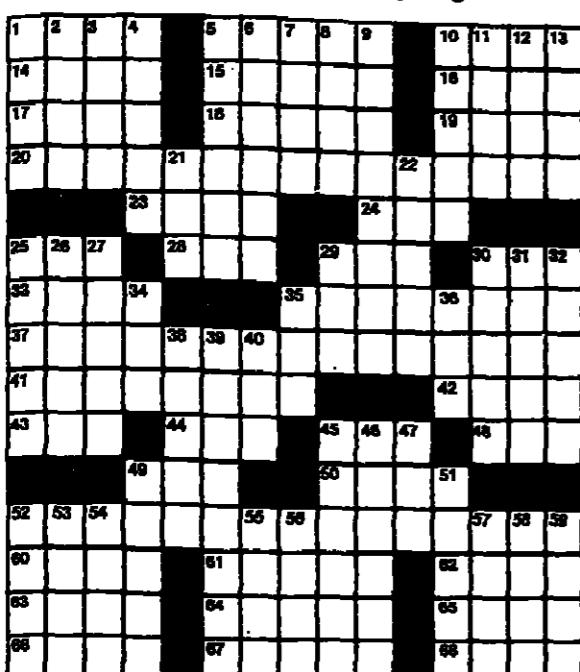
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P.O. Box 95, Safat, Kuwait.  
Telephone: 42201 (20 lines)  
Telex: NATCRED 22451 KT  
NATBANK 23623 KT  
Credit Division - Multinational.  
Telephone: 431088/440731/438340-50  
Telex: NBKMULT 44836 KT  
Investment & Merchant Banking  
Division,  
Telephone: 463753/438340-50  
Telex: NATBANK 44653 KT

**London Office:**  
NBK Overseas (London) Limited,  
1 St. Michael's Alley, Cornhill,  
London EC3V 9EX, England.  
Telephone: 01-623 1881  
Telex: 892348 NBKLDN G

**Singapore Office:**





CROSSWORD Edited by Eugene T. Maleska

**ACROSS**

- 1 Comartist's play
- 5 "I come down."
- 10 Sailor
- 12 "Marmaduke" steering aid
- 14 A Maxwell
- 15 Support for Georgia O'Keeffe
- 16 Call for Mr. Morris
- 17 Competition
- 18 "Plants" of the Express
- 19 Work animals
- 20 Bright words from Conrad Aiken
- 21 Target on a green
- 22 Los, at bridge
- 23 Deposit
- 24 An uncle of Saul
- 25 Frozen water in Berlin
- 26 "Don't worry bl
- 27 Prodigies
- 28 Stamped out
- 29 Hellipole's favorite phrase from "The Deserted Village"
- 30 Rebukes
- 31 Theater org.
- 32 Bitter trench
- 33 Stack on the deck
- 34 "Albert
- 35 Ahor, at a service station

**DOWN**

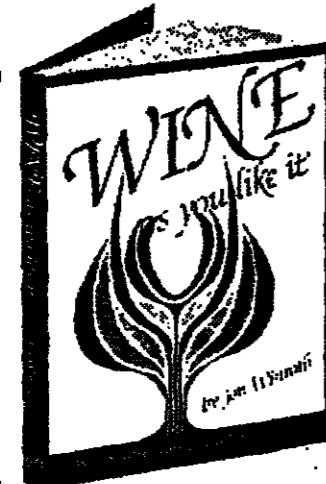
- 1 Prefix with to
- 2 Musical sign
- 3 On the Coral
- 4 Horse McEntee thriller
- 5 Mortar
- 6 Cronkite's successor
- 7 Words of comprehension
- 8 Yd. or in.
- 9 Passing reference
- 10 Big spender
- 11 Run along a runway
- 12 Rips
- 13 Corp
- 21 Long period

## WEATHER

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66	79	15	25

Readings from the previous 24 hours.

**«Wine is meant to be enjoyed, not analyzed to death.»**



The Herald Tribune's new book by Jon Winroth makes light of wine snobbery—but sparkles with facts

This quotation is from Jon Winroth's new and highly professional book, in which he rejects the windy pontification so often associated with wine buying, wine tasting and wine serving.

Witty, chatty, and often irreverent, this is a book of our time. For those who know wines and those who don't, there's much to be learned from WINE AS YOU LIKE IT. Order a copy today for yourself—and some extras while you're at it. A perfect gift, for friends or family.

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## BOOKS

## ANTHONY BURGESS

by Samuel Coale. 235 pp. \$10.95  
Ungar, 250 Park Avenue South, New York 10003

Reviewed by Charles Champlin

IT IS not simply that Anthony Burgess is prolific. It is that he is ferociously, heroically, compulsively prolific. 35 books published since 1956.

What continues to be astonishing about Burgess is the range and quality of his work, the breadth of his imagination, the extent of his learning, the encyclopedic splendor of his language.

Burgess' improbable history and his wide shelf of work have been set forth and analyzed with admirable succinctness by Samuel Coale, an English professor at Wheaton College in Massachusetts.

Coale's book, enriched by some ex-

tended conversations with Burgess, is a swift but clarifying view of what appears to be the major theme of Burgess' work—the ceaseless contending of good and evil, with no more than temporary victories on either side) in a Manichaean world. Ours is not a universe but a duovore, Burgess has said; dualities are everywhere, never more abundantly than in his strange novel "MF" (1971), in which his hero, Miles Faber, has an identical evil twin.

Manichaeanism is an ancient notion and Burgess is fascinated by myth, and the possibility of re-cloaking myths in modern costumes. "MF" is, in fact, his attempt to do a modern version of an Iroquois-Algonquin myth described by the French anthropologist Claude Levi-Strauss.

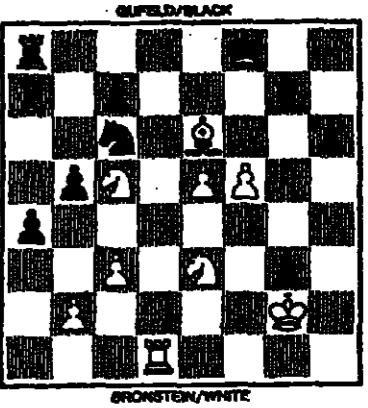
If "A Clockwork Orange" (1965) has been Burgess' widest success, "Enderby" and its sequel, his ribald and rambunctious portrait of an eccentric writer.

Coale notes that some critics have placed Burgess among the "post-Modernist" novelists, the fabulists like Coover, Barth, Kosinski. Neither Coale nor Burgess is at all sure this is right. Indeed Burgess as much as any writer of this time seems entirely his own man although with Joyce his kinships and his sympathies are obviously strongest.

They are both celebrants of life and language, and Coale's little book is a valuable reference, as introduction or refreshener.

Charles Champlin is on the staff of the Los Angeles Times.

By Robert Byrne



Position after 33... N-B3  
29 BxPch, K-R1; 30 R-Q7 with a crushing bind. Unmindful of the inherent danger to his king, Gufeld arranged for it to help in defense with 32... KR-R1; 29 BxPch, K-B1.

The key to Bronstein's attack was 30 P-KN4!, P-N4; 31 N-K3, PxP; 32 P-B5!, obtaining deadly connected passed pawns to cut through the defense (32... BxP?; 33 R-Q7ch wins a bishop).

After Bronstein's 34 N-Q7ch, Gufeld would not have found a way out with 34... K-K2; 35 N-Qch, K-Q1; 36 P-B6, B-R1; 37 N-B4, K-B1; 38 N-Bch, K-N1; 39 R-Q7!, R-R4; 40 R-R7, K-R2; 41 N-Q5!

Bronstein's 36 N-KB5!, representing the triumph of mobility over material, issued in the beautiful finish with 36... N-Q1; 37 P-B7ch!, NxP; 38 N-B6 mate.

White: Bronstein  
Black: Gufeld  
1 N-KB3  
2 P-Q4  
3 N-KB2  
4 P-B6  
5 Q-Q2  
6 E-P4  
7 P-B5  
8 P-Q4  
9 N-Q3  
10 N-Q2  
11 P-QR4  
12 P-QN4  
13 P-Q3  
14 P-Q2  
15 P-Q1  
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## Language

## Lessons in Diving

By William Safire

**N**EW YORK — President Reagan's State of the Union address was noteworthy to writers because (1) the speechwriter, Anthony Dolan, was given a seat in the first lady's section of the House gallery, the best treatment ghosts have received since the Kennedy presidency, and (2) the president took an unequivocal position on the divede controversy.

"We saw the heroism of one of our young government employees, Lenny Skutnik," said the president, looking toward his wife's section of the gallery, where Skutnik stood, "who, when he saw a woman lose her grip on the helicopter line, dived into the water and dragged her to safety" after a jet crash in Washington.

What is the past tense of dive? Does the verb follow the example of drive, the past tense of which is drove, or does it take the lead from dive, which moves to dived?

For the answer, place yourself in the water, awaiting rescue; when your rescuer swims up, ask him: "How did you enter this body of water?" He will surely reply, "I didn't think about it. I just dove in." That is the way most people talk; dive is common usage. If he says, "I dived in" you are being saved by a pedant and you should start composing your expression of gratitude with care.

On a formal occasion, such as an address to the Congress, formal usage is called for: Thus, Reagan's use of dived in was correct. On informal occasions, such as rescues, the more natural dove is correct. Each has its proper moment.

**E**VERYBODY knows what syncopation in music is — the shifting of sounds or letters from the middle of a word, as in calling Cholmondeley "Chumley"; or Worcestershire sauce, "Woo-tsheer sauce." This has taken place on a huge scale with the past-participle ending of adjectives — that is, in the 15th century, we pronounced "pronounced" as "pro-

noun-sed," and now we pronounce "pronounced" "pro-nounct." In most cases, the "ed" ending has turned into a "t."

But when we want to sneer at a lawyer, we call him "learned counsel" pronouncing the adjective as "learn-ed" as in "he claims to be learn-ed in the law." Since we found it easy to have learned to say "learned" as the past tense of the verb "to learn" why do we persist in using two syllables for the same word as adjective?

To put the question another way: "There is a dispute in my office over the pronunciation of alleged (adjective) and alleged (adjective)," writes Penny Rogg of New York. "So far, we're divided between the bright young things and the old salts; the problem may be purely generational. We all agree on alleged's pronunciation as a verb: 'ah-lijid.' But when it is used as an adjective, as in 'The alleged journalist couldn't pronounce his own words correctly,' my colleagues and I all say 'ah-lij-ed,' three syllables instead of two."

Their bosses, the aged salts, stick to the two syllables. "Who's right?" she asks.

Shakespeare and other Elizabethan poets treated that "ed" as an option, making the ending silent or not, to suit the needs of iambic pentameter.

Both the two- and three-syllable forms are acceptable today; but for those lovers of the native tongue who want to be correcter than correct, here is the way to decide when to pronounce the "ed":

If the word is a participle in function (as in aged whisky), do not pronounce the "ed," but if the word is an adjective in function (as in aged salts), you are permitted — nay, urged — to pronounce the "ed" loud and clear.

"We can say 'a very ag-ed man' but not 'very ag-ed whisky,'" reports John Algeo, professor of English and linguistics at the University of Georgia, "because in the former aged is an adjective, like happy, whereas in the latter aged is a participle."

An exception: When verbs end in d or t, they also get the favored sing-out-ed treatment — I have prided myself on heated discussions about this — but generally speaking, use the pronounced "ed" on adjectives only, and on them every blessed time.

New York Times Service